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RGY EFFICIENT AFFORDABLE NEW HOME PROGRAM

The Montana Board of Housing and the Montana Department of Natural Resources and Conservation announce a new pilot program for the construction of detached single family homes that meet certain energy efficiency requirements. The Board of Housing has set aside $3 million for financing these homes with an interest rate of 5.875 percent. Thirty year mortgages will be available in areas of the state where utility companies are participating as partners in the program. About 31 homes will be financed in the pilot program. Loans will be spread among participating communities with each community initially receiving up to five loans.

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Energy efficient affordable new home pro
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The new program has several innovative features -- most notably the participation of utility companies in the loan process.

Pilot Program

This is a pilot program. It is available in those areas of the state where utility companies have agreed to insure a portion of the loan amount. Generally, those areas are where utility companies are already offering some type of energy efficiency program to their residential customers.

This pilot program will assist in the construction of more affordable new homes in Montana. The Board of Housing already offers financing for new houses. This program will bridge the gap between existing programs and the higher cost of new home construction experienced in many Montana communities in recent years. Making these loans available will allow homeowners to include economic energy efficient features and still qualify under the loan maximums for the area. Homes financed under this program will be even more affordable for buyers because energy costs over the life of the home will be less than for homes built to meet the current building codes. Loans made through this program will be available in amounts between the current FHA maximum loan amount for the area (at least $75,500) and $95,000 depending on location.

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Utility Participation

The following utilities are participating in the energy efficient affordable home program.

Flathead Electric Cooperative
Glacier Electric Cooperative
Great Falls Gas Company
Lincoln Electric Cooperative
Mission Valley Power
Missoula Electric Cooperative
Montana Power Company
Pacific Power
Ravalli County Electric Cooperative

Because of their financial commitment to this program, utilities need to acquire energy savings from the homes constructed. Utility companies will review and approve individual house plans before the Board of Housing will set aside funds for an individual house. The utility also will inspect the energy efficiency measures of houses in the program during and after construction to verify installation.

The participating utility must provide the electricity or natural gas used as the primary heating source for the homes. The Montana Power Company will allow electrically heated homes in the program only when natural gas is not available.

Home buyers who are building electrically heated homes can choose between this new program and the current Super Good Cents programs offered by the utilities. Home buyers who do not qualify for the Energy Efficient Affordable Home Program through the Board of Housing will still be able to participate in the current Super Good Cents programs for electrically heated homes.

Energy Efficiency Requirements

Homes constructed under this program must meet energy efficiency requirements that surpass current building codes. For electrically heated houses these requirements are typically the same as for Super Good Cents houses. For gas heated homes the requirements are equivalent to the state energy code requirements adopted in February, 1994, plus better windows and a high efficiency furnace or boiler heating system. ***Energy efficiency requirements are outlined below. They are general guidelines. They may vary slightly by utility. Check with your utility to be sure of the individual requirements of that utility.***

FIGURE 1 - ENERGY EFFICIENCY REQUIREMENTS

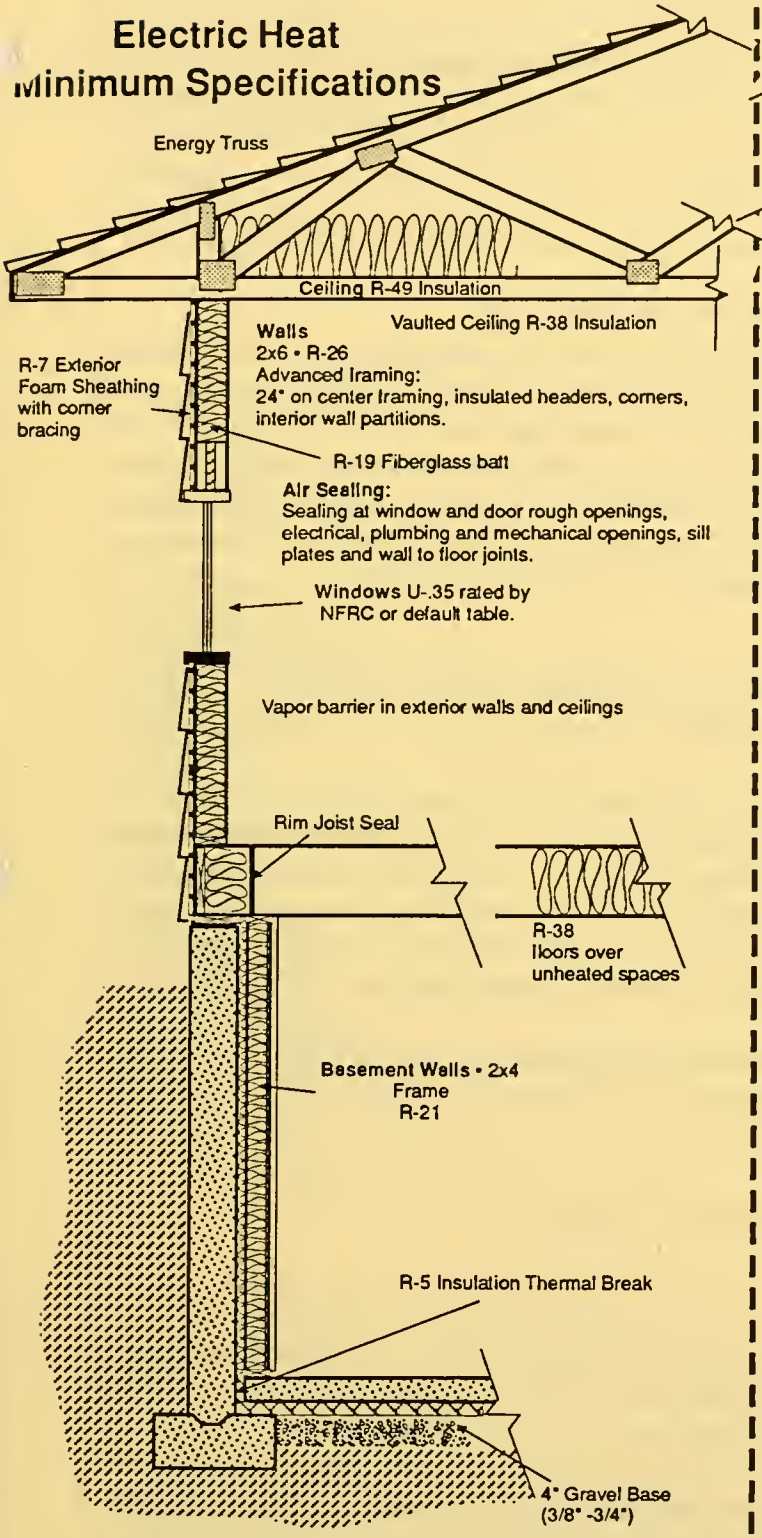
COMPONENT	NATURAL GAS HEAT	ELECTRIC HEAT
Flat Ceiling	R-38	R-49
Vaulted Ceiling	R-38	R-38
Above Grade Walls	R-19	R-26
Below Grade Walls	R-10	R-21
Floors Over Unheated Spaces	R-19	R-38
Windows	U-.35	U-.35
Exterior Doors	R-2	R-5
Heating System	*high efficiency*	*standard efficiency*

NOTES:

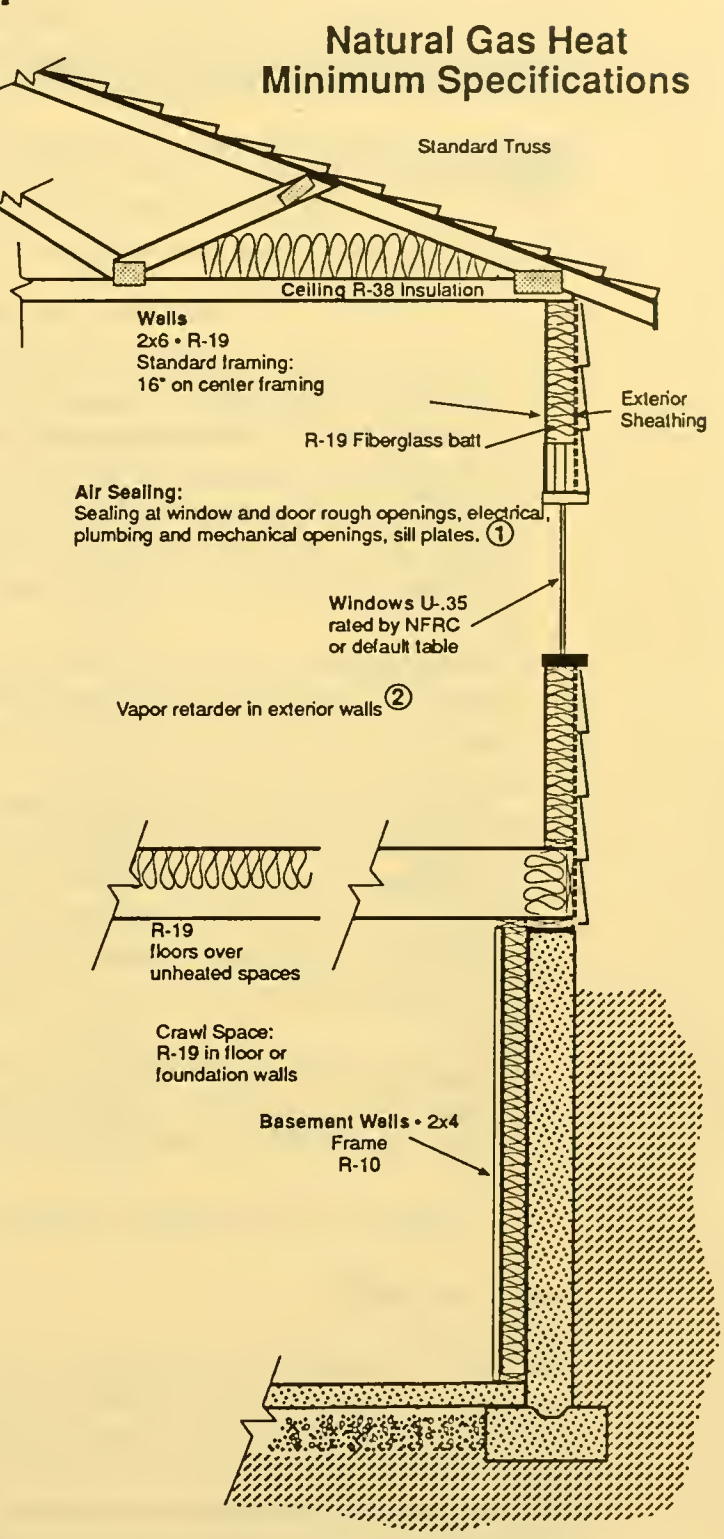
- Window U-value of .35 is generally a wood or vinyl window with a half-inch air space filled with argon gas, and a Low-e coating.
- Insulation values are nominal. No credit is given for the insulating values of air films, siding, sheetrock, etc.
- High efficiency gas heating systems is 90 percent or better for forced air systems, and 82 percent or better for boilers.

AFFORDABLE ENERGY EFFICIENT NEW HOUSE
Construction Specifications

Electric Heat
Minimum Specifications


Energy Truss
Ceiling R-49 Insulation
Vaulted Ceiling R-38 Insulation
Walls
2x6 • R-26
Advanced framing:
24" on center framing, insulated headers, corners, interior wall partitions.
R-7 Exterior Foam Sheathing with corner bracing
R-19 Fiberglass batt
Air Sealing:
Sealing at window and door rough openings, electrical, plumbing and mechanical openings, sill plates and wall to floor joints.
Windows U-.35 rated by NFRC or default table.
Vapor barrier in exterior walls and ceilings
Rim Joist Seal
R-38 floors over unheated spaces
Basement Walls • 2x4 Frame R-21
R-5 Insulation Thermal Break
4" Gravel Base (3/8" -3/4")

Natural Gas Heat
Minimum Specifications


Standard Truss
Ceiling R-38 Insulation
Walls
2x6 • R-19
Standard framing:
16" on center framing
Exterior Sheathing
R-19 Fiberglass batt
Air Sealing:
Sealing at window and door rough openings, electrical, plumbing and mechanical openings, sill plates. ①
Windows U-.35 rated by NFRC or default table
Vapor retarder in exterior walls ②
R-19 floors over unheated spaces
Crawl Space:
R-19 in floor or foundation walls
Basement Walls • 2x4 Frame R-10

Heating System - Standard Efficiency

Heating System - High Efficiency
90% or higher - forced air furnace
82% or better - boiler

① Model Energy Code 502.4.3
② Model Energy Code 502.1.4

* Materials used in comparison may vary. Component levels are flexible.

Insulation values are nominal. No credit is given for the insulating values of air films, siding, drywall, etc.

Overview of Board of Housing Eligibility Criteria for Home Buyers

Consumers must meet the credit requirements of the lending agency and the following requirements:

To qualify, a residence must be a detached single family home meeting energy specifications.

The purchaser must either have not owned a home in the previous three years, or build in an area targeted by the Board of Housing. Targeted areas are defined by the Internal Revenue Service to include census tracts with population and income characteristics showing economic distress. Targeted areas in this program include Blaine, Deer Lodge, Flathead, Hill, Mineral, Missoula, Sanders, and Silver Bow counties, the city of Great Falls, and the towns of Browning, Busby, and St. Marie that are served by a participating utility.

The residence must be occupied as the owners principal residence and no more than 15 percent of the total area of the house may be used for trade or business. Land purchased with the residence shall not be more than five acres.

The loan amount shall be greater than existing FHA limits up to a maximum of $95,000. The existing Board of Housing limits are $75,500 statewide except Cascade County = $83,050; Flathead County = $89,300; Lewis and Clark County = $87,600; Missoula County = $94,500; and Yellowstone County = $83,050. Gallatin County is not eligible for this program because the FHA maximum FHA loan amount in Gallatin County already exceeds $95,000.

Consumers must meet maximum income requirements that vary by county and size of household ranging between $32,300 and $50,120. Income requirements are listed on page 5.

Consumers must have a 5 percent down payment.

Loan Information

The loan is specially structured with both first and second mortgages having a maximum aggregate loan to value of 95 percent. The Montana Board of Housing finances both mortgages and the homeowner will make one monthly payment.

The first mortgage will be insured by FHA 203 (b) for its current maximum limit of $75,500 statewide, $83,050 in Cascade and Yellowstone Counties, $87,600 in Lewis and Clark County, $89,300 in Flathead County, and $94,500 in Missoula County.

The second mortgage for the amount above the FHA maximum mortgage limit, but not to exceed $19,500, is insured by a self insurance reserve account at the Department of Natural Resources and Conservation that is underwritten by participating utilities.

More information on specific loan terms and conditions is available from lenders participating in this program or from the Montana Board of Housing.

GROSS ANNUAL INCOME LIMITS BY AREA

Area	Small Household**	Large Household***
Billings/Yellowstone	$36,300	$41,745
Blaine*	38,760	45,220
City of Great Falls*	38,760	45,220
Deer Lodge County*	38,760	45,220
Flathead County*	39,480	46,060
Gallatin County	34,400	39,560
Hill County*	42,960	50,120
Jefferson County	42,300	48,645
Lewis & Clark County	37,200	42,780
Mineral County*	38,760	45,200
Missoula County*	42,000	49,000
Rosebud County	37,800	43,470
Sanders County*	38,760	45,220
Silver Bow County*	40,800	47,600
Stillwater County	33,800	38,870
Toole County	34,200	39,330
All other Counties and Areas	32,300	37,145

* Targeted Areas
** Smell household is defined es two persons or less
*** Large household is defined as three persons or more

The Energy Efficient Affordable New Home Program will be available through lenders that have an agreement with the Board of Housing to process these loans, and that offer loans in the service territories of the participating utilities. Following are the procedures the home buyer would go through for a loan under this program.

STEP-BY-STEP THROUGH THE ENERGY EFFICIENT AFFORDABLE NEW HOME PROGRAM

- A home buyer wishes to build a new home.

- The home buyer selects a lot and house plan, and chooses a builder.

- The builder checks lot location to determine whether the location is served by a utility participating in the pilot. The builder advises the customer of the new Board of Housing Program and provides basic information on the program. The builder refers the customer to a lender for information on loan requirements including income level requirements, and to the local participating utility for energy efficiency requirements.

- The house plan is sent to the participating utility for energy efficiency review and approval. DNRC will provide technical assistance to the utility if needed.

- The utility approves the house plan and writes a letter of commitment for the buyer to take to the lending institution stating that the house plans meet the program specifications and agreeing to provide half of the insurance needed for the second mortgage on the house, contingent upon the house being constructed to the program specifications. The utility sends a copy of that letter to DNRC. DNRC sets aside funds needed to match the utility commitment, providing half of the insurance needed for the second mortgage on the house.

- DNRC notifies the Board of Housing of the approved house and joint utility and DNRC commitments to provide the second mortgage insurance. These commitments will be contingent upon the home buyer getting financing and constructing the house within a reasonable period of time.

- The home buyer takes the approved house plan to the lender with the loan application and letter of commitment from the utility. The lender approves the loan through its normal process for a Board of Housing Loan.

- The lender notifies the Board of Housing of the approved loan and the Board of Housing sets aside the 5.875 percent permanent loan financing on a first come first serve basis within individual communities. Up to five loans will be awarded per community. If all loans are not used up by September 1, remaining funds may be reallocated.

- The builder sends the house plan to the local building code authority for code review and approval according to the normal process.

- Construction begins.

- Construction inspections for energy efficiency components are made at regular intervals by the participating utility to ensure that energy savings will be achieved.

- Once the home is completed, the utility conducts a final inspection on the house. The utility writes a letter to the bank notifying them that the house meets the energy specifications. The utility copies this letter to DNRC.

- If the house does not meet the energy specifications, the utility will work with the builder to bring the house up to the specifications. If the house cannot meet the energy specifications, the utility will withdraw its commitment for the loan insurance.

- The loan is closed at completion of construction and sold to the Board of Housing. Board of Housing notifies DNRC of the completed loan and the amount of the loan. DNRC notifies the utility of the completed loan and the amount of insurance premium commitment actually needed. DNRC and the utility maintain internal record keeping of the commitment throughout the life of the loan.

- If there is a foreclosure, the Board of Housing notifies DNRC of the foreclosure and DNRC notifies the participating utility. The Board of Housing collects from the utility and DNRC the amount of loan insurance on the second mortgage, or the amount needed to satisfy the outstanding loan, whichever is less.

- DNRC maintains and manages the risk premium account through the life of the mortgages. The Board of Housing notifies DNRC upon satisfaction of the first and second mortgage on a given loan. DNRC then notifies the participating utility.

This pilot program will begin by July 1, 1994 with utilities starting to review house plans. Loan applications may be taken for this program starting July 22. Loans will be limited to five in any one community until September 1. If any loan funds are remaining after September 1, they will be reallocated. The potential of any permanent program is not known at this time. It is expected that the loans for all available funding will be made very quickly.

For more information on the program contact your local utility company, lender, the Montana Board of Housing at 444-3040, or the Department of Natural Resources and Conservation at 444-6697.

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